

OGC HAS REVIEWED.

23 February 1957

MEMORANDUM FOR: The Record

SUBJECT : Federal Income Tax Repayment of Lump Sum
Leave

1. We have had in the past several cases arise where an individual drew his lump sum leave in one year and repaid it in another. In such a case the IRS has stated that he must take the repayment as a deduction if he wishes credit for it. This causes him to itemize his deductions and may result in an actual financial loss.

2. Recently I was queried by an employee as to his Federal tax liability and method of reporting where he had repaid his lump sum leave in the same year that he had received it. I queried IRS "tax payers assistance" and was given the following information.

3. The employee should list on the first page of his return the exact amounts stated on his various W-2s. However, in adding up these amounts he should list and subtract the amount of lump sum leave repaid giving him a total less than the sum of the W-2s. To explain the entry of this repayment item: he should state on the first page "See attached statement". The attached statement would explain the circumstances giving the desired information and be signed by the tax payer. The authority for this rule, which the tax payer would be well to cite is "T. 3969, C. B. 1949-2, p.13".

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Assistant General Counsel

OGC/RPB:jcf

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